

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

**MERIDIAN RESOURCE AND
EXPLORATION LLC
AI # 51413**

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

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* **ENFORCEMENT TRACKING NO.**

* **AE-PP-02-0030**

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SETTLEMENT

The following Settlement is hereby agreed to between Meridian Resource and Exploration LLC ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I.

Respondent is a Limited Liability Company, which operated an oil and gas production facility located approximately five miles west/southwest of Lake Arthur off of Louisiana Highway 14 in Jefferson Davis Parish, Louisiana ("the Facility").

II.

On or about November 21, 2002, a Notice of Potential Penalty (NOPP), Enforcement Tracking No. AE-PP-02-0030, was issued to the Respondent for the following violations at the Lacassine 33 No. 1 Production Facility (AI No. 51413):

- A. The facility began operation in March of 1999 prior to obtaining a permit. Air Permit Number 1360-00077-00 was issued on August 12,

1999. The Respondent failed to obtain approval from the permitting authority prior to the construction or operation of a facility which ultimately may result in an initiation or increase in emissions of air contaminants. This is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

- B. The Respondent modified the facility prior to obtaining a permit modification. A permit modification, Air Permit Number 1360-00077-01, was issued to the facility on March 21, 2000. The Respondent failed to obtain approval from the permitting authority prior to the modification of a facility which may result in an initiation or increase in emissions of air contaminants. This is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act. However, according to information submitted by the Respondent, the sources in question were installed on or about May 16, 2000, which was after the issuance of Permit Modification No. 1360-00077-01.
- C. An inspection of the facility was conducted on June 28, 2001. At the time of the inspection, it was noted that a Caterpillar 6342 PAA (295 HP) compressor engine was installed and operating at the facility. According to information provided by the facility, the compressor engine had been installed on December 5, 2000. The Respondent failed to obtain approval from the permitting authority prior to the modification of a facility which may ultimately result in an initiation or increase in emission of air contaminants. This is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

A meeting was held between representatives of the Respondent and members of the Department to discuss the violations noted in the NOPP. At the time of the meeting, it was agreed that Meridian would audit its other Louisiana oil and gas production facilities to determine if any other permit issues should be reported to the Department. As per that audit, the following possible areas of concern were reported by Meridian in a letter dated February 14, 2003:

- A. The Respondent installed and operated a total of fourteen (14) emission sources at the Ramos Field Production Facility (AI No. 83124) prior to obtaining approval from the permitting authority. According to additional information submitted by the Respondent in a letter dated March 28, 2003, a line heater was installed on January 4, 2000, and removed from service on February 4, 2000. Another line heater was installed on December 8, 2000, and removed from service

on February 9, 2001. Two (2) heater treaters, one (1) flare, and seven (7) gas driven pumps were installed in October 1999, and two (2) cooler engines were installed on January 15 and 26, 2001. A permit modification application was submitted to the Department in September 2001.

- B. According to the Respondent's letters dated February 14, 2003, and March 28, 2003, an application for permit modification for the Lacassine Refuge No. 1 Production Facility (AI No. 89106) was submitted to the Department on September 19, 2001, requesting the addition of an amine reboiler-stills column. An application for permit modification was submitted to the Department on September 26, 2001, requesting the addition of five (5) gas driven pump. On January 30, 2003, additional information was submitted by the Respondent requesting approval for a 40 HP saltwater pump, a 110 HP compressor engine, two (2) chemical pumps, and a 210 barrel water tank. The emission sources were installed on December 17, 2002. The Respondent modified the facility prior to obtaining approval from the permitting authority.

Also, according to the Respondent's letter dated March 28, 2003, an unpermitted 50 HP pumping engine was installed and operating at the Goodhope Field Facility (AI No. 32776). The engine was installed on February 11, 2000. Additional insignificant activity equipment was also identified at the facility. According to the Respondent's letter, these sources will be added to the permit by modifications.

An additional file review by the Department revealed the following violations of Chapter 5 of the Air Quality Regulations:

- A. The Respondent purchased the Guidry 21 No. 1 Production Facility (AI No. 32264) in November 1998 and submitted the permit application to the Department on or about December 18, 1998. The Department issued the operating permit on or about January 13, 1999.
- B. The Respondent purchased the Lejeune No. 1 Production Facility (AI No. 40396) in February 1999 and submitted the permit application to the Department on or about March 25, 1998. The Department issued the operating permit on or about August 12, 1999.

- C. The Respondent purchased the North Turtle Bayou Facility (AI No. 83534) in February 1999 and submitted a permit application on or about July 13, 1999. The Department issued the operating permit on or about November 18, 1999.

III.

In response to Notice of Potential Penalty, Enforcement Number AE-PP-02-003, the Respondent proposed a penalty amount of Seventeen Thousand Five Hundred and No/100 Dollars (\$17,500.00) payable to the Department, which was based upon the aforementioned findings of fact by the Department.

IV.

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

V.

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of seventeen thousand five hundred dollars (\$17,500.00) of which seven hundred sixty four and 33/100 Dollars (\$764.33) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

VI.

Respondent further agrees that the Department may consider the inspection report(s), the Notice of Potential Penalty and this Settlement for the purpose of determining compliance history

in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VII.

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VIII.

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

IX.

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Jefferson Davis Parish. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

X.

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Penalties are to be made payable to the Department of Environmental Quality and mailed to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303.

XI.

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XII.

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

WITNESSES:

THE MERIDIAN RESOURCE AND
EXPLORATION LLC

Ery Claw

BY: A. Dale Breau
(Signature)

A. DALE BREAU

(Printed)

TITLE: V.P. Operations

THUS DONE AND SIGNED in duplicate original before me this 13th day of
JANUARY, 20 04, at Houston, TEXAS.



Patricia A. Gibbard
NOTARY PUBLIC

WITNESSES:

Leggett M. Hatch
Joni Evans

STATE OF LOUISIANA

Mike D. McDaniel, Ph.D., Secretary
Department of Environmental Quality

BY: Harold Leggett
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 14th day of
Feb, 20 04, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC

Approved: R. Bruce Hammatt
R. Bruce Hammatt, Assistant Secretary



CHARLES C. FOTI, JR.
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
P.O. BOX 94005
BATON ROUGE
70804-9005

April 29, 2004

RECEIVED

MAY 10 2004

**LA Dept. of Environmental Quality
LEGAL DIVISION**

Mike D. McDaniel, Secretary
La. Department of Environmental Quality
Office of the Secretary
P.O. Box 4301
Baton Rouge, LA 70821-4301

Re: Review of DEQ Settlement;
Meridian Resource & Exploration, LLC
AE-PP-02-0030

Dear Secretary McDaniel:

Pursuant to the authority granted to me by R.S. 30:2050.7(E)(2)(a), I approve the above referenced settlement.

Sincerely,



NICHOLAS GACHASSIN
First Assistant Attorney General

NG/cbw